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RHHMUNA/USPACOM HONOLULU HI IMMEDIATE
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RUEHKO/AMEMBASSY TOKYO IMMEDIATE 3756
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 2964
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STATE FOR EAP/MTS, EEB/TRA
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SUBJECT: TOURISM - BASIS FOR ECONOMIC DEVELOPMENT

REF: MANILA 0103

11. Summary: The Philippine Tourism Act of 2009, signed into law on May 12, 2009, describes tourism as an indispensable element of the national economy. The new law seeks to develop a robust tourism industry, turn the Philippines into a world-renowned destination, and attract foreign investment. ASEAN open skies, new bilateral air agreements, and planned improvements to tourism infrastructure will boost this effort. End Summary.

Tourism Act

12. In May 2009, President Arroyo signed the National Tourism Policy Act of 2009 declaring tourism as an engine of investment, employment and national development. The new law created three agencies to promote programs in partnership with the private sector: 1) the Tourism Promotion Board (TPB) to handle domestic and international promotions, 2) the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) to regulate and supervise Tourism Enterprise Zones (TEZs) and manage infrastructure projects, and 3) the Duty-Free Philippines Corporation (DFPC) to operate duty free merchandising. A significant innovation under the Tourism Act is the creation of TEZs to speed up development and attract investments. Once approved by Zone Authority, a TEZ operator will be granted special tax and business incentives similar to those in the Philippines Special Economic Zones.
New Air Agreements

13. As part of its efforts to boost tourism, the Philippines has signed more than twenty new bilateral air agreements over the last two years. The country will sign an open-skies agreement with ASEAN members in April 2010 that will lower airport fees, increase flights between ASEAN capital cities and achieve a unified ASEAN market in civil aviation by 2015.

14. Philippine international tourist arrivals in 2009 are estimated at around three million, about the same as in 2008. Asian neighbors like Thailand received over 14 million international tourists in 12009. The Philippines needs improved infrastructure and airport capacity in order to compete more effectively. Manila International Airport is already at its maximum capacity, with over 23 million passengers per year. The international airport located at the former Clark airbase in Pampanga (known as Diosdado Macapagal International Airport, DMIA) handled 600,000 passengers in 2009. Most new flights will be routed to DMIA, about 90 minutes drive from Manila. Currently the DMIA is expanding its terminal to accommodate two million passengers per year, and will later construct a second terminal, which will increase its capacity to 14 million per year.

However, inadequate transportation links between DMIA and Manila remain a problem.

15. Tourism has the potential to make an important contribution to Philippine economic development. Local economists have estimated that each foreign tourist who visits the Philippines for a week spends enough to pay the wages of one tourism-sector employee for one year. The prospect of millions of new international tourists being created by the growing economies of Asia over the coming years presents an important opportunity.

16. Recognizing the constraints in the transportation sector and the potential for the tourism sector, the United States Agency for International Development (USAID) recently started a three-year project (2009-2012) to assist the Clark International Airport Corporation develop the Clark (DMIA) airport as the premier international gateway of the country and a major regional tourism and logistics hub. USAID will also be providing assistance to the Department of Tourism in its efforts to develop implementing guidelines for the Tourism Enterprise Zones and the Tourism Infrastructure and Enterprise Zone Authority.

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